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TRANSTERRE EXPLORATIONS LIMITED

(No Personal Liability)

Annual Report

1965

BOARD OF DIRECTORS

J. C. D. BOUCHARD
President, Bouchard & Co. Ltd.

ALLISON F. HEATHER, P. Eng. (Ont.)
Vice-President & Mine Manager, Sapawe Gold Mines Limited

WILLARD J. La MORTE
President, Shattuck Denn Mining Corporation

JOHN A. MOSS
President, Richmond Screw Anchor Company of Canada, Limited

THOMAS V. TOZZI
Attorney, Chairman, Shattuck Denn Mining Corporation

OFFICERS

President	—	WILLARD J. La MORTE
Treasurer	—	W. H. CONNOLLY
Secretary	—	EILEEN McBAIN
Asst. Sec.-Treasurer	—	ELIZABETH DILLON



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CAPITALIZATION

Authorized 5,000,000 shares at \$1.00 par value

Issued 3,483,415 shares

REGISTRAR and TRANSFER AGENT

Guaranty Trust Company of Canada
427 St. James Street West
Montreal, Canada

EXECUTIVE OFFICE

1015 Beaver Hall Hill
Montreal, Canada

ENGINEERING and MANAGEMENT ADMINISTRATORS

Canadian Beaver Mining Company Limited
1015 Beaver Hall Hill
Montreal, Canada

AUDITORS

Kendall, Trudel & Co.
1015 Beaver Hall Hill,
Montreal, Canada

The Stock of Transterre Explorations Limited is listed on the Canadian Stock Exchange.

The information herein contained is for the existing shareholders of the Company exclusively and there is no offer to sell or inducement to buy intended within the meaning of Canadian and United States securities laws.

President's Message

To the Shareholders :

At the end of 1965 Transterre Explorations Limited owned or held an interest in the mining rights on nine properties totalling 13,740 acres and divided as follows :

Ontario, Timmins Area	1720 acres
Ontario, Pipestone Lake	480 acres
Quebec, Senneterre Area	2700 acres
Quebec, Gaspé Area	1600 acres
New Brunswick	2000 acres
Nova Scotia	5240 acres

During the same year, Transterre has carried out diamond drilling programs totalling 15,574 feet; in the Timmins area (3718 ft.), Pipestone Lake area (2026 ft.), and on the Senneterre Properties (9,830 ft.).

Two thousand acres of ground, in New Brunswick, have been covered with magnetic, electromagnetic and geological surveys, and a detailed electromagnetic survey was conducted on a group of claims in Duff Township in the Timmins area.

Six mining properties were abandoned representing a total of 11,198 acres. They were located in the Timmins area (3720 acres), Dash Lake Ontario area (320 acres), in Nova Scotia (6400 acres) and in the Senneterre area (759 acres).

With reference to 1,000 acres in the Senneterre area of Quebec, your company again carried out an exploration program in 1965. Some 88 holes have been diamond drilled on this property over the recent years, the results of which revealed erratic gold values associated with the porphyry dykes. Check sampling has failed to confirm the results of the initial drilling program which leads to the conclusion that there may not be sufficient quantities of gold to make an economic deposit. We plan to evaluate various geological interpretations during 1966 which could result in further work being performed on this property.

In August 1965, your company also acquired an option from Trans-American Resources, Inc., a subsidiary of Shattuck Denn Mining Corporation, U.S.A., to participate in Empresa Minera Kellguani S.A., a tin mine, located approximately 20 miles north of La Paz, Bolivia. This property was brought to the attention of the Trans-American engineering staff because of its favourable geological structure which showed a surface outcrop of nine tin-bearing veins. A feasibility study made of the property indicated a potentially large tonnage of tin mineralization with metallurgical characteristics amenable to gravity separation. Because of the vastness of this property, it was decided that a pilot plant operation should be installed first, which in effect would check out the reserves, grade, mill efficiency, etc., and if this proved satisfactory, the construction of a large tonnage operation would then be justified.

During the balance of 1965 progress was made in this direction with surface installations being constructed, and underground development work started. Also, installation of the pilot mill began.

The most recent report received from Trans-American engineers indicated that the pilot mill construction was scheduled for completion by mid-March, 1966 and will go on stream at the rate of 50 tons per day. Machinery and equipment will be added to increase production during 1966, and it is anticipated that a production rate of 150 tons per day will be reached by the first of September 1966. Currently, an ore stockpile is being built up in anticipation of mill requirements.

Under the terms of the option agreement, Transterre is to receive half of Trans-American's 51% interest in the Kelluani Tin Mine or 25½%. The total option price is \$225,000 (U.S.) of which \$125,000 has been paid; balance due on the date the option is exercised. Transterre is under no obligation to exercise the option until 6 months after the mine and mill production has reached 100 tons per day. Until that time Transterre has the right to cancel its option and receive a refund of its initial payment of \$125,000. Transterre will have the right and opportunity to check the actual mining and milling as well as the profitability of the operation.

Your management made a study and an evaluation of the expenditures required for the maintenance of your company's operation which revealed that during the period June 30, 1964 to June 30, 1965, the expenditures for administration, legal, office rent, telephone, furniture and equipment, totalled over \$100,000. It was felt, therefore, that the routine engineering and administrative services could be more efficiently and economically performed by a company retained for that purpose.

As a result, your management entered into an agreement dated June 1, 1965 with Canadian Beaver Mining Company Limited, a wholly-owned Canadian subsidiary of Shattuck Denn Mining Corporation, U.S.A., whereby Canadian Beaver would provide Transterre with all the normal routine services that your company required for a fee of \$4,000 per month. These would include engineering, technical, legal, administrative services, as well as office space and its maintenance. Special requirements such as independent auditing, direct out-of-pocket travel expenses, etc., would be borne by Transterre. This agreement is subject to cancellation by either party on 60 days' notice. We are pleased to advise that this agreement has worked out satisfactorily, and that management has been successful in renegotiating the terms of the agreement as of November 1, 1965 to provide for the reduction of the fee to \$3,000 per month. In view of all the activities during the year, your management feels that this agreement resulted in qualified and competent management at a considerable saving to the company.

Since the end of 1965, your company conducted a drilling program to test two conductors on the Duff Township property in the Timmins area. This has just been completed and the results did not reveal any potential commercially mineable ore.

An electromagnetic survey has also just been completed on the Macdiarmid Township property (160 acres) in the Timmins area the results of which have just been correlated, and failed to reveal anomolous zones. Therefore, no further work is contemplated on this property.

We are currently surveying the Antigonish property consisting of 5240 acres in Nova Scotia, the outcome of which is still not known.

No further work is planned at present in the Pipestone Lake area; the Mahaffy-Reid Township area and the Senneterre Township property. However, these claims are all in good standing.

Further work will be performed on the Charlotte County property of 2,000 acres in New Brunswick in the vicinity of two conductors that were located in 1965 as a result of magnetic and electromagnetic surveys.

On the Gaspé Provincial Park claims in Deslandes Township of Quebec, your company holds a 50% interest in 40 claims covering approximately 1600 acres. A magnetic and geochemical survey will be conducted on this property as soon as weather permits and should the results of this survey be favourable, an induced polarization survey would be conducted of the most promising locations.

CONCLUSIONS

With the steady progress now being made by your company, plans are being formulated to utilize part of the funds realized through underwritings and option agreements as provided in the company's by-laws, as well as from profits, for the pursuit and completion of programs now underway and those planned. Also, for continued investigation, study and possible exploration and acquisition of other promising properties; for participation in new, and/or already going operations; and for the payment of company's operating and administrative expenses.

Your management takes this opportunity to thank you for your expressions of confidence and to solicit your continued cooperation.

Respectfully submitted,

WILLARD J. La MORTE

President

April 4, 1966

Auditors' Report

To the Shareholders of
Transterre Explorations Limited
(No Personal Liability).

Gentlemen :

We have examined the accompanying Statement of Financial Position of TRANSTERRE EXPLORATIONS LIMITED (No Personal Liability) as at December 31, 1965 and the related Schedule of Mining Claims and Statements of Deficit, of Deferred Exploration and Development Expenses and of Deferred Administrative Expenses for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying Statement of Financial Position, supplemented by the notes appended thereto, and the related Schedule of Mining Claims and Statements of Deficit, of Deferred Exploration and Development Expenses and of Deferred Administrative Expenses present fairly the state of affairs of the Company as at December 31, 1965 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

KENDALL, TRUDEL & CO.
CHARTERED ACCOUNTANTS

February 11, 1966.
MONTREAL, Canada,

TRANSTERRE EXPL

(No Person)

STATEMENT OF FI

AS AT DECE

ASSETS

CURRENT

Cash on Hand and in Bank	46,088.48	
Notes Receivable	175,000.00	
Accounts Receivable	69,609.86	
Short-Term deposits	440,837.65	
Accrued Interest receivable	5,972.76	
Prepaid Expenses	221.23	737,729.98

INVESTMENTS - At cost

Bonds (market value - \$832.50)	868.72	
225,000 Common shares of Senneterre Goldfields Ltd. held in escrow - at nominal value	1.00	
41,500 Common shares of Porcupine Prime Mines Ltd. (market value \$7,055.00)	15,596.25	
533,300 Common shares of Sapawe Gold Mines Ltd. (market value \$170,656.00)	104,625.00	121,090.97

DEPOSITS	425.00
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MINING CLAIMS - At cost (per schedule attached)	266,886.53
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DEFERRED EXPLORATION AND DEVELOPMENT EXPENSES per statement attached	360,335.03
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DEFERRED ADMINISTRATIVE EXPENSES - per statement attached	51,441.79
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FIXED ASSETS - At cost (Note 3)	
Machinery and Equipment	3,091.55
Office Furniture and Fixtures	17,126.50

INCORPORATION EXPENSES	1,310.00
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\$1,559,437.35

The attached notes form an integral part of these financial statements.

MONTREAL, Canada, February 11, 1966.

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Liability)

NCIAL POSITION

ER 31, 1965

LIABILITIES

CURRENT

Accounts Payable	1,149.67
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SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized

5,000,000 Common shares at \$1.00 par value ..	<u>\$5,000,000.00</u>
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Issued and Fully Paid

For Cash

2,583,415 Common shares at \$1.00	2,583,415.00
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Less : Discount on shares	910,069.00	1,673,346.00
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For Mining Claims

900,000 Common shares at \$1.00	900,000.00
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<u>Less : Discount on shares</u>	<u>873,000.00</u>	<u>27,000.00</u>
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<u>3,483,415 shares issued</u>	<u>1,700,346.00</u>
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DEFICIT - per statement attached	(142,058.32)	1,558,287.68
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APPROVED ON BEHALF OF THE BOARD :

WILLARD J. La MORTE, Director.

A. F. HEATHER, Director.

\$1,559,437.35

TRANSTERRE EXPLORATIONS LIMITED
(No Personal Liability)

NOTES TO FINANCIAL STATEMENTS
AS AT DECEMBER 31, 1965

NOTE 1)

On August 19, 1965 the Company signed an agreement with Shattuck Denn Mining Corporation whereby it acquired an option to purchase one half of Shattuck Denn's interest in the Kelluani Mine in Bolivia. The consideration payable for this agreement is \$125,000. in U.S. funds (which amount has been paid) with a further \$100,000. in U.S. funds payable upon the exercising of the option. Transterre Explorations Limited may exercise the option within six months after the input production of the mine reaches 100 tons per day, or a longer period if required, and if it chooses not to exercise the option, Shattuck Denn Mining Corporation will refund the \$125,000. (U.S.) without interest.

NOTE 2)

By an agreement dated December 29, 1965, the Company agreed to purchase from John A. Chisolm one hundred and thirty-one (131) mining claims in Doctors Brook, Antigonish, Nova Scotia for a total consideration of \$25,000. Of this amount, \$1,000.00 has been paid and the balance will be payable as follows if the Company chooses to maintain its title to these claims :

\$ 2,000.00	within	6 months of the date of the agreement							
5,000.00	"	12 "	"	"	"	"	"	"	"
7,000.00	"	24 "	"	"	"	"	"	"	"
10,000.00	"	36 "	"	"	"	"	"	"	"

In addition, Transterre Explorations Limited agreed to form a new company on or before 3 years of the date of the agreement, such company to have 5,000,000 authorized shares of capital stock at a par value of \$1.00 and from which 300,000 shares will be allotted to John A. Chisolm, subject to approval by the proper authorities.

NOTE 3)

In accordance with the Company's policy, depreciation on Fixed Assets has not been provided for prior to the commencement of productive activities.

TRANSTERRE EXPLORATIONS LIMITED

(No Personal Liability)

SCHEDULE OF MINING CLAIMS

AS AT DECEMBER 31, 1965

PIPESTONE LAKE, PROVINCE OF ONTARIO

Twelve Mining claims held under license and acquired by the issue of 900,000 common shares of the Company at \$0.03 per share	27,326.22
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SENNETERRE TOWNSHIP, PROVINCE OF QUEBEC

Five Mining claims held under license and acquired for cash	47,499.00	
Four Mining claims held under license and acquired for staking costs	400.00	
Mining Concession on Lots 37 and 38, Range No. 1	3,000.00	50,899.00

DESLANDES TOWNSHIP, PROVINCE OF QUEBEC

Forty Mining claims held under Miner's certificate and acquired for staking costs (in which the Company owns 50% interest)	526.45
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REID, MACDIARMID, DUFF AND MAHAFFEY TOWNSHIPS, PROVINCE OF ONTARIO

(Held under license and acquired for cash)

Reid Township		
Two Mining claims (in which the Company owns 50% interest)	2,000.00	
Macdiarmid Township - Four Mining claims	17,000.00	
Duff Township - Twenty-five Mining claims	25,000.00	
Mahaffey Township		
Twelve Mining claims (in which the Company owns 50% interest)	5,000.00	49,000.00

KELLUANI MINE, BOLIVIA (Note 1)	135,000.00
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NELLIGAN TOWNSHIP, PROVINCE OF QUEBEC

Forty Mining claims held under Miner's certificate and acquired for cash	2,000.00
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ANTIGONISH COUNTY, NOVA SCOTIA

Option on one hundred and thirty-one claims (Note 2)	1,000.00
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CHARLOTTE COUNTY, NEW BRUNSWICK

Fifty Mining claims acquired for staking cost	1,134.86
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TOTAL MINING CLAIMS	<u>\$266,886.53</u>
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TRANSTERRE EXPLORATIONS LIMITED

(No Personal Liability)

STATEMENT OF DEFICIT

FOR THE YEAR ENDED DECEMBER 31, 1965

COST OF MINING CLAIMS ABANDONED DURING THE YEAR

Reid Township, Province of Ontario - (four claims)

Cost of Claims	8,000.00	
Geophysical Surveys	1,517.50	9,517.50

Reid, Jessop and Jamieson Townships, Province of Ontario - (sixty-four claims)

Cost of Claims	39,500.00	
Geophysical surveys	14,800.00	
Diamond drilling	3,838.64	58,138.64

English Township, Province of Ontario - (sixteen claims)

Diamond drilling	14,577.96	
Camps	2,023.35	
Assaying	1,055.75	17,657.06

Murphy Township, Province of Ontario (eight claims)

Geophysical surveys	1,107.50	
Diamond drilling	6,303.50	7,411.00

Tavernier Canton, Abitibi-East, Province of Quebec - (twelve claims)

Diamond drilling	35,350.82	
Surface Development	3,516.25	
Camps	6,599.78	
Staking	101.73	
Assaying	668.65	
Supervision	2,036.55	48,273.78

Kenora District, Province of Ontario - (three claims)

Travelling	342.98	
Assaying	116.33	
Supervision	600.00	
General	1.03	1,060.34

DEFICIT AS AT DECEMBER 31, 1965	<u>\$142,058.32</u>
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TRANSTERRE EXPLORATIONS LIMITED
 (No Personal Liability)
**STATEMENT OF DEFERRED EXPLORATION AND
 DEVELOPMENT EXPENSES**
FOR THE YEAR ENDED DECEMBER 31, 1965

	Total as at December 31 1964	Additions during the year	Total as at December 31 1965
SENNETERRE TOWNSHIP CLAIMS			
Diamond Drilling	141,497.64	24,647.42	166,145.06
Geological Surveys	65,027.84	4,937.70	69,965.54
Surface Development	25,639.88	162.00	25,801.88
Camps	17,289.23	2,291.80	19,581.03
Staking	2,748.51	375.00	3,123.51
Prospecting	1,071.85	—	1,071.85
Trenching	6,498.45	—	6,498.45
Sampling	5,566.46	—	5,566.46
Excavating	1,666.25	—	1,666.25
Assaying	6,696.78	2,967.10	9,663.88
Travelling	8,584.37	78.50	8,662.87
Office and General	4,084.98	1,922.63	6,007.61
	<u>286,372.24</u>	<u>37,382.15</u>	<u>323,754.39</u>

REID, MACDIARMID AND DUFF TOWNSHIPS			
Geophysical Surveys	7,943.00	921.68	8,864.68
Registration Fees	331.50	—	331.50
Prospecting	—	340.50	340.50
	<u>8,274.50</u>	<u>1,262.18</u>	<u>9,536.68</u>
Less : Expenses on Reid claims abandoned-written off to deficit	—	(1,517.50)	(1,517.50)
	<u>8,274.50</u>	<u>(255.32)</u>	<u>8,019.18</u>

MAHAFFEY AND REID CLAIMS (in which the Company owns 50% interest)			
Diamond Drilling	8,254.99	—	8,254.99
Geophysical Surveys	838.45	—	838.45
Surface Development	744.90	—	744.90
Staking	35.00	—	35.00
Assaying	61.40	—	61.40
Travelling	59.61	—	59.61
Registration Fees	100.00	—	100.00
Office and General	4.54	—	4.54
	<u>10,098.89</u>	<u>—</u>	<u>10,098.89</u>

TRANSTERRE EXPLORATIONS LIMITED

(No Personal Liability)

STATEMENT OF DEFERRED EXPLORATION AND DEVELOPMENT EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1965

	Total December 31 1964	Additions during the year	Total as at December 31 1965
REID, JESSOP AND JAMIESON TOWNSHIPS			
Geophysical Surveys	13,900.00	900.00	
Diamond Drilling	—	3,838.64	
Less : Expenses on claims abandoned- written off to deficit	13,900.00	4,738.64	—
	—	(18,638.64)	
	13,900.00	(13,900.00)	—
CHARLOTTE COUNTY, NEW BRUNSWICK			
Geophysical Surveys	—	5,204.68	5,204.68
Prospecting	—	2,847.90	2,847.90
Registration Fees	—	100.00	100.00
	—	8,152.58	8,152.58
DESLANDES TOWNSHIP, PROVINCE OF QUEBEC (in which the Company owns 50% interest)			
Registration Fees	—	40.00	40.00
ANTIGONISH COUNTY, NOVA SCOTIA			
Registration Fees	—	33.00	33.00
PIPESTONE LAKE, ONTARIO			
Diamond Drilling	—	7,290.37	7,290.37
Assaying	—	1,110.42	1,110.42
Sampling	—	30.00	30.00
	—	8,430.79	8,430.79
KELLUANI MINE, BOLIVIA			
Engineer Fees	—	800.00	800.00
Assaying	—	104.45	104.45
Travelling	—	901.75	901.75
	—	1,806.20	1,806.20
TOTAL EXPLORATION AND DEVELOPMENT EXPENSES	318,645.63	41,689.40	\$360,335.03

TRANSTERRE EXPLORATIONS LIMITED

(No Personal Liability)

STATEMENT OF DEFERRED ADMINISTRATIVE EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 1965

	Total as at December 31 1964	Additions during the year	Total as at December 31 1965
Management Fees and Salaries	11,056.36	36,029.41	47,085.77
Geology	1,750.00	—	1,750.00
Office and Administrative Expenses	1,588.49	96.55	1,685.04
Transfer Agent and Registrar's Fees	3,693.65	1,870.88	5,564.53
Professional Fees	12,944.08	11,305.45	24,249.53
Travelling	13,750.56	6,889.81	20,640.37
Advertising and Promotion	8,637.01	2,851.27	11,488.28
Telephone and Telegrams	4,273.81	1,291.54	5,565.35
Rent	2,802.00	4,316.04	7,118.04
Stationery, Printing and Postage	2,861.80	1,531.70	4,393.50
General Expenses	1,345.90	2,442.51	3,788.41
Bank Charges	193.66	269.08	462.74
	64,897.32	68,894.24	133,791.56

DEDUCT :

Interest, Dividends and Other Income	(49,558.63)	(32,791.14)	(82,349.77)
TOTAL ADMINISTRATIVE EXPENSES	15,338.69	36,103.10	\$ 51,441.79

